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FM AMEMBASSY ANTANANARIVO
TO RUEHC/SECSTATE WASHDC 4441
INFO RUEHFR/AMEMBASSY PARIS 0832

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SUBJECT: AGOA Eligibility Recommendation For Comoros

REF: A) STATE 22438

B) 06 ANTANANARIVO 1176

11. This is an Action Request for the Department - see Paragraph 4.

12. SUMMARY: Democratically-elected President Ahmed Abdallah Sambi has made significant improvements in governance in the Union of the Comoros since taking office in May 2006, despite inadequate resources. His government has an ambitious plan to attract investment in tourism and agriculture that is founded on free-market principles. President Sambi sought the prosecution of corrupt officials and granted amnesty to unfairly sentenced persons to improve the rule of law in Comoros. As acknowledged in the Human Rights Report and Worst Forms of Child Labor Report, conditions in Comoros are comparable to neighboring AGOA-eligible countries and are improving. Above all, Comoros is a staunch American ally in the war on terrorism, participating fully in the Rewards for Justice Program in the hunt for Comoran-born terrorist suspect Harun Fazul. In light of nascent stability and progress in Comoros under Sambi's leadership, Post recommends the United States grant AGOA Eligibility in time to mark President Sambi's first year in office on May 28, 12007. END SUMMARY.

13. Using the Millennium Challenge Corporation's (MCC) Scorecards for "Ruling Justly," "Investing in People," and "Economic Freedom," Comoros has passing marks in five of 16 indicators. This score puts Comoros ahead of nine AGOA-eligible countries. While failing across the board to invest in people, Comoros scores passing marks in three of six in economic freedom and two of six in ruling justly. MCC and AGOA criteria differ somewhat, but by this measure Comoros warrants at least careful consideration.

14. ACTION REQUESTED: Post requests the Department initiate the inter-agency process for Comoros to obtain AGOA-eligibility in light of the country's progress in fully embracing AGOA criteria and making steady progress in their implementation. Comoros is emerging from three decades of chaos and becoming a stable and responsible African nation more like the 38 AGOA-eligible countries and less like the dozen ineligible "pariah" states. Paragraphs 5-11 describe Comoros' current performance against AGOA indicators. END ACTION REQUEST.

MARKET ECONOMY

15. President Sambi is an entrepreneur, having founded businesses in bottled water, mattresses, and perfume. In the past, vanilla and ylang-ylang (a perfume essence) were exported in significant quantities from Comoros. At present, most formal sector workers are employed by the Union or Island Governments. There is a modest tourism sector, and tiny manufacturing base. The majority of Comorans live on subsistence farming and fishing, as well as

remittances from family abroad primarily in Marseilles, Mayotte, and Madagascar.

RULE OF LAW, POLITICAL PLURALISM, RIGHT TO DUE PROCESS

¶6. Fourteen candidates freely contested the April 2006 presidential primary, and three candidates then ran for president in the May national election. International observers agreed the poll was fair and transparent, with then opposition figure Sambi winning by a wide margin. Taking office in May in the first peaceful and democratic transfer of power in Comoran history, Sambi vowed to install an effective rule of law. Corrupt officials have been prosecuted. Many prisoners convicted of minor crimes who did not receive adequate due process were granted amnesty.

ELIMINATION OF BARRIERS TO U.S. TRADE AND INVESTMENT

¶7. Although remote and underdeveloped, Comoros welcomes U.S. trade and investment. Western Union entered the market in 2006 to access the substantial client base for remittances from abroad - its operations to date function well. Before the collapse in vanilla prices, American importers purchased the commodity in Comoros. Several Americans live in Comoros working for humanitarian NGOs in health and education - their presence is welcomed by the community.

There are no known specific barriers to U.S. trade and investment.

ECONOMIC POLICIES TO REDUCE POVERTY

¶8. The Union of the Comoros has performed adequately under its poverty reduction strategy as indicated by the World Bank. An Interim Poverty Reduction Strategy Paper (I-PRSP) with a focus on fostering economic growth, led by the private sector, and improving the provision of public services in the social sectors was presented to the Board of Directors of the World Bank in May 2006. The I-PRSP concentrates around three key objectives: (i) sustained economic growth; (ii) improved human capital development; and (iii) improved governance and political stability. The World Bank states in its Country Report for the Union of the Comoros that: "Achieving the poverty reduction strategy objectives will require unwavering efforts to improve public financial management as well as continuous inter-island cooperation. It will require higher international financial aid in the form of immediate support to finance pressing social services, public investment, and technical assistance needs; it will also require comprehensive debt relief". Having concluded an Article IV consultation with the IMF in July 2006, the government is also seeking to formulate a full-scale poverty reduction strategy paper (PRSP). In general, it appears that most of the donors are eager to reward the country's political transition and agreement on an IMF-supported Poverty Reduction and Growth Facility (PRGF) is possible in 2007, as long as the economic environment is reasonably encouraging and the government seeks to push ahead with reforms. A PRGF would increase the inflow of donor funds in 2008.

A SYSTEM TO COMBAT CORRUPTION

¶9. President Sambi has made his fight against graft public, stating repeatedly that corrupt officials will be investigated and prosecuted. Given limited expertise in his government, and a poorly functioning judicial system, progress has been slow and corruption is still reported, particularly in connection with state-owned enterprises and customs. In a gesture towards enhanced transparency, Sambi made public his own salary, a first for any Comoran head of state.

PROTECTION OF WORKER RIGHTS

¶10. As noted in the Human Rights Report and Worst Forms of Child Labor Report, Comoran law meets minimum standards for the protection of worker rights. Organized teachers, dockworkers, and taxi-drivers recently availed themselves of their right to strike and demonstrate to protest nonpayment of salaries or other grievances. Government enforcement is weak, but several UN agencies present in Comoros

reinforce the protection of worker rights. In reality, there are virtually no formal sector jobs in Comoros after years of instability and low investment interest.

¶11. Comoros did not engage in activities that undermine U.S. national security or foreign policy interests, did not engage in gross violations of internationally recognized human rights, and did not provide support for acts of international terrorism. In fact, Comoros has been an active participant in the Rewards for Justice Program, cooperating fully in the hunt for Comoran-born terrorism suspect Harun Fazul. Former President Azali expelled, at United States request, the Islamic charity al-Haramain, which is suspected of having ties to extremist groups.

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